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Mr. Cameron

File

DOLLY VARDEN

one of the world's large SILVER reserves

1968



eighth annual report

for the year ending march 31, 1968

DOLLY VARDEN MINES LTD. (NPL) VANCOUVER CANADA

Note: The maps, plans, and historical data in this report are repeated from last year for the benefit of new shareholders and enquirers.

OUR SYMBOL: A Silver Coin



Why the girl in the hat? In 1841 Charles Dickens in his book *BARNABY RUDGE*, introduced a "charming young lady with flashing eyes" named Dolly Varden. Her fame spread, and by the 1890's hundreds of ladies wore Dolly Varden hats. Records show that when a prospector first discovered silver near Alice Arm in 1907, he thought of this beautiful girl and named the strike, Dolly Varden.

DOLLY VARDEN

MINES LTD. (N.P.L.)

1400 United Kingdom Building 409 Granville Street Vancouver 2 Canada
Mines at Alice Arm, B.C.

ANNUAL REPORT

for the year ending march 31, 1968

directors

PETER E. CROMIE, *President*

A. C. SKERL, PH.D., P.ENG.,
Managing Director

JAMES W. ANNETT

HOWARD McD. MARTIN

D. M. M. GOLDIE

Secretary:

PETER C. G. RICHARDS

Bankers:

THE BANK OF NOVA SCOTIA

Solicitors:

CUMMING, BIRD, RICHARDS & COMPANY

Auditors:

RIDDELL, STEAD, GRAHAM & HUTCHISON

Registrar and Transfer Agent:

GUARANTY TRUST COMPANY OF CANADA

Shares listed on the Vancouver Stock Exchange

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Back cover: Location Map British Columbia

DOLLY VARDEN

One of the World's Large Silver Reserves



This is Dolly Varden

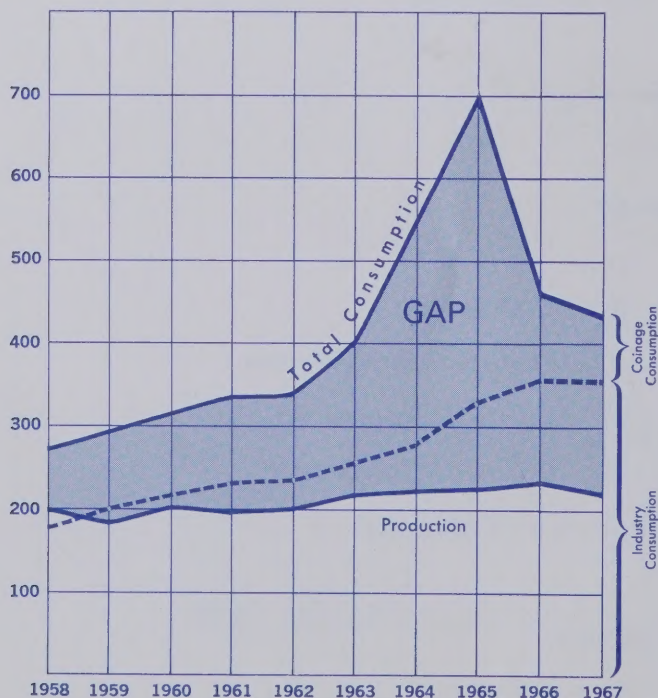
president's report

For the first time in your Company's history, your Directors can look ahead to a schedule that should result in commercial production within eighteen months. Staff are now being assembled to re-open the camp and to prepare our mines for production. We will commence by drifting and percussion drilling on two levels of the Wolf vein, while continuing the metallurgical studies necessary to draw up the flow sheet and other data necessary for final mill design.

We are pleased to announce that Dr. A. C. Skerl, P.Eng., has been appointed Managing Director, and Mr. George Aaltonen has been appointed Manager of operations. Mr. Aaltonen brings with him many years of underground mining experience in Eastern Canada and more recently in B.C., driving the world's longest single heading tunnel not far from Alice Arm.

Mr. Thomas Mackay retired as a Director in July after serving eight years on the Board. Mr. Mackay was instrumental in the formation of the Company, and we are grateful for his counsel and financial assistance over the years. The vacancy was filled by Mr. James Annett, President of Annett Mackay Limited, investment

Silver consumption and production in the Free World



dealers and members of the Vancouver Stock Exchange. He is also a partner of Annett & Company Limited, members of the Toronto Stock Exchange.

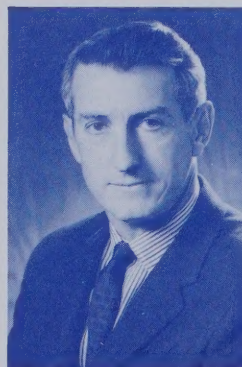
In June, the Court of Appeal of British Columbia unanimously dismissed the appeal of Sunshine Mining Company of Kellogg, Idaho, from a judgment of the Supreme Court of British Columbia which last year awarded Dolly Varden \$368,000, of which \$34,400 has already been paid. The Court of Appeal further allowed Dolly's cross appeal for \$64,976 additional damages. Sunshine is appealing these decisions in the Supreme Court of Canada. The two amounts plus legal costs and interest accrued total over \$400,000.

Earlier in the year, we engaged the prominent international firm of mining engineers, Chapman, Wood & Griswold Ltd. to carry out a preliminary feasibility study of our properties. Dr. Skerl's report on the next page comments on their findings and recommendations.

An underwriting agreement has been entered into, subject to the approval of the Alberta Securities Commission and the Vancouver Stock Exchange, which will provide the initial funds, and we anticipate no major problems in obtaining the balance of the money required to take us straight through to production.

The outlook for silver prices continues to be excellent, with the present price at \$2.41 Cdn. per ounce. Free world mine production continues at not more than 50% of consumption. Most of the balance is still coming from the U.S. Treasury Department's stockpile, which is rapidly using up old silver coins recently taken out of circulation.

"With a little bit of luck" we will push the start-up button by the end of 1969.



On behalf
of the Board of Directors

PETER CROMIE, *President*

August 29, 1968



managing director's report

We are now going ahead with our plan of operation that will bring the mine into production along the lines recommended by our consulting engineers.

In their report dated 17th May 1968 the consulting firm of Chapman, Wood & Griswold gave their preliminary findings and recommendations. They reported that in their categories of Semi-Proven, Probable and Possible we had a total of 1,288,800 tons of ore grading 8.8 ounces of silver per ton plus appreciable amounts of lead, zinc and cadmium.

They analysed the mining, milling and sale of concentrates for this amount of ore with a plant treating 500 tons per day and found that it would be economically feasible with silver at the then current price of \$2.65 per ounce even in the unlikely event that no more ore was found.

Their capital cost estimates in round figures consisted of:

Preproduction expenses	\$ 667,000
Mill	1,635,000
Mining equipment	608,000
Housing	245,000
Miscellaneous	245,000
Working Capital (4 months)	600,000
Total	\$4,000,000

These are all maximum costs and no value is placed on salvaging any of the plant and equipment at the mine other than the hydro-electric plant.

The consultants' figures show that by mining the Wolf ore bodies first at the rate of 180,000 tons per year a recovery of \$19.00 per ton would be made for 3½ years with silver at \$2.65 Cdn. per oz. and \$18.00 with silver at \$2.50 per oz.

They also estimate that costs at present rates would total \$11.23 per ton. Thus the working profit would amount to:

\$1,400,000 per year with silver at \$2.65 per ounce
and \$1,200,000 per year with silver at \$2.50 per ounce.

In the case of the North Star, Torbrit and Dolly Varden ore bodies they calculate an average net return of \$16.60 per ton with silver at \$2.65 per ounce for another 4 years.

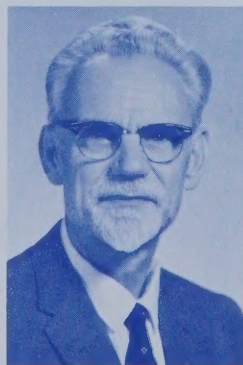
There are two features of the ore bodies that could enhance the value of the mine still further. The first is the strong potential of developing more ore once we are in production. I expect that we will be able to maintain the ore reserve for many years by developing as much as we mine. Secondly, the detailed mill test work now in progress at Britton Laboratories may well show that a greater revenue can be obtained from the lead, zinc and cadmium content of the ores than is presently assumed.

Our consultants suggest that production would start at the Wolf mine but recommend that some preliminary work to further define the ore bodies be undertaken immediately. This would convert probable ore to a positive category and at the same time make it accessible for mining. In preparation for this underground work part of the old Torbrit camp will be rehabilitated for winter occupation and the road to the Wolf mine will be reconditioned.

A detailed study will be made to determine the best mining method. The large size and competent nature of the ore bodies will allow relatively low cost mining.

As soon as the metallurgical testing has been completed the design of the mill will be started so that major machinery can be ordered.

I am hopeful that site preparation for the new mill will begin next May and that we will be in production by the end of 1969.



A. C. Skerl,
Ph.D., P.Eng.
1st September 1968



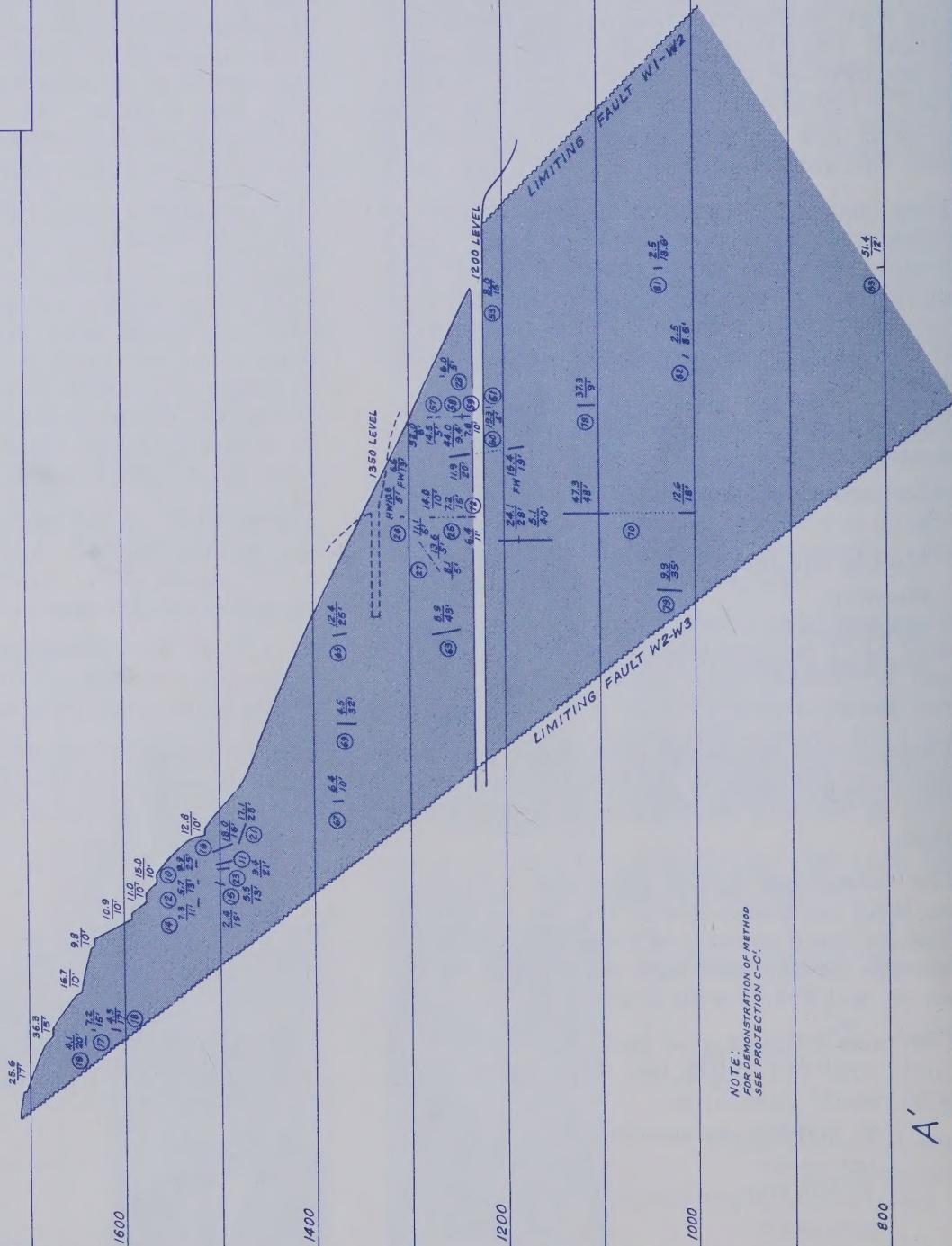
This is Dolly Varden

NOTE:
FOR DEMONSTRATION OF METHOD
SEE PROJECTION C-C'.

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A vertical scale bar labeled "SCALE" and "FEET". The scale has markings at 0, 5, 10, 15, 20, 40, and 60. The distance between 20 and 40 is unlabeled, but the markings are consistent with a 20-unit interval.

A vertical scale bar labeled "SCALE" and "FEET". The scale has markings at 0, 5, 10, 15, 20, 40, and 60. The distance between 20 and 40 is unlabeled, but the markings are consistent with a 20-unit interval.



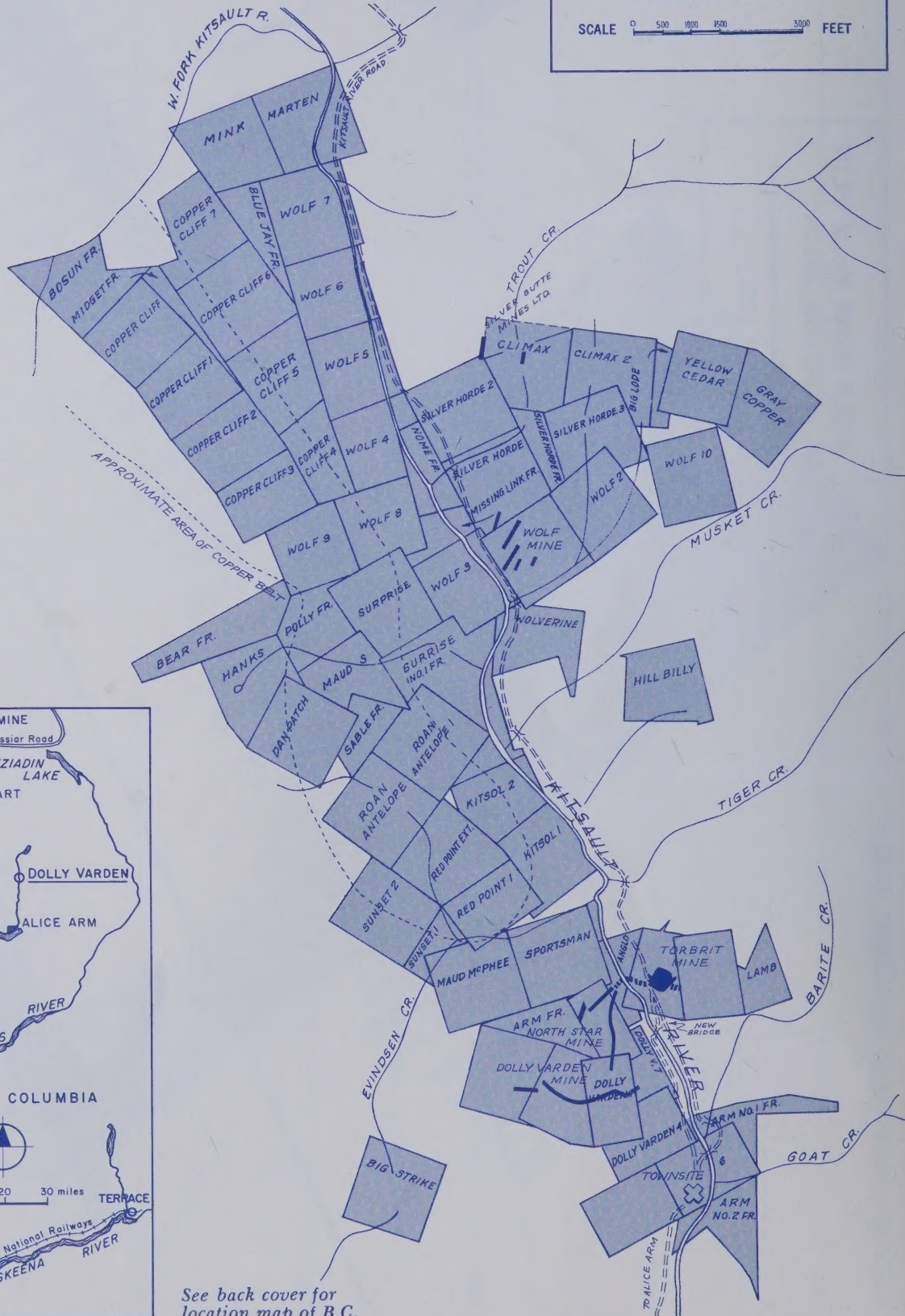
dolly varden mines ltd.

CLAIMS MAP

SCALE 0 500 1000 1500 3000 FEET



See back cover for location map of B.C.



This is Dolly Varden

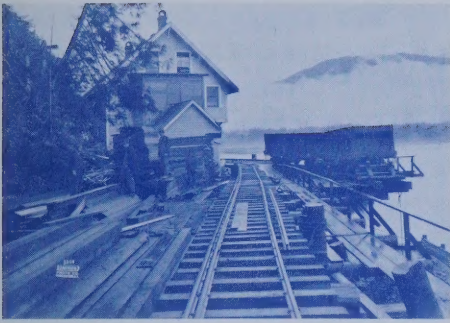
history

The Dolly Varden silver strike near Alice Arm, B.C., was first made in 1907. (See story on the inside front cover.) After a slow start on development by hand mining over a number of years, in 1919 a railroad was built over the seventeen miles from Alice Arm to the mine. However, the mining company could not pay for the railroad, so the railroaders seized the mine. In the ensuing three years, 1919-1921, the Dolly Varden Mines Railroad produced 1,300,000 oz. of silver.

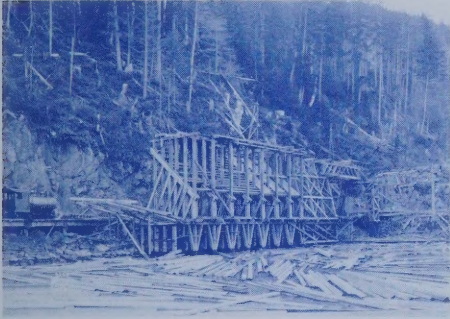
Except for a little high-grading by hand miners, the Kitsault Valley lay quiet until 1947 when an eastern mining company obtained claims adjacent to, and across the river from Dolly Varden. They constructed a 400-ton-a-day mill and refinery; a 2000 horsepower hydro electric plant; machine shops and camp including a community hall with school room, badminton court and bowling alley at a cost of \$2,000,000. Over the next 10 years they produced 19,000,000 oz. of silver. When their main ore body was depleted by 1958, they decided to cease operations in B.C. The price of silver was 85c an ounce.

In 1960, a new company, DOLLY VARDEN MINES LTD. (N.P.L.) was formed to acquire the old Dolly Varden claims including the Wolf mines; also to purchase all of the eastern company's property in the valley, which included the Torbrit and North Star mines, mill, refinery, power house and all of the buildings.

Since that time, the Company has carried out a great deal of exploration and development on what now appears to be one of the world's largest silver reserves, plus an interesting potential in the area known as the Copper Belt.



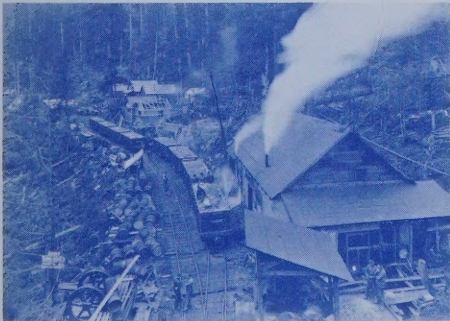
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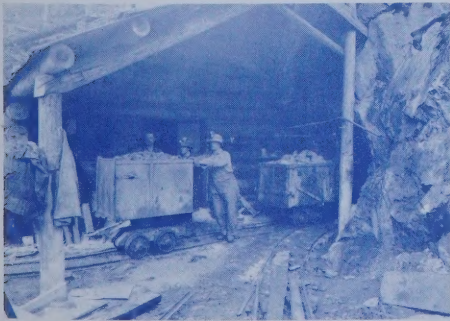
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3



4



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All photographs on this page were taken in 1920

- 1 Loading platform at Alice Arm Wharf
- 2 Ore bunkers at Alice Arm
- 3 Lower terminal of aerial tramway
- 4 Camp 8 terminal and power house
- 5 Blacksmith shop at portal No. 4



This is Dolly Varden

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dolly varden mines ltd. (Non-Personal Liability)
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET as at March 31, 1968

ASSETS

	1968	1967
CURRENT ASSETS		
Cash	\$ 14,388	\$ 7,005
Accounts receivable	9,756	1,405
Judgment receivable (Note)	314,051	—
Prepaid expenses	1,880	310
	<u>340,075</u>	<u>8,720</u>
FIXED ASSETS, at cost		
Land	1,000	1,000
Buildings and equipment	394,692	403,645
	<u>395,692</u>	<u>404,645</u>
MINERAL CLAIMS, LEASES AND RIGHTS, at cost	<u>211,275</u>	<u>211,275</u>
DEFERRED DEVELOPMENT AND ADMINISTRATIVE EXPENDITURE	<u>1,030,582</u>	<u>981,497</u>
INCORPORATION EXPENSE, at cost	<u>9,773</u>	<u>9,773</u>
	<u>\$ 1,987,397</u>	<u>\$ 1,615,910</u>

Signed on behalf of the Board

A. C. SKERL, *Director*

PETER E. CROMIE, *Director*

LIABILITIES

	1968	1967
CURRENT LIABILITIES		
Accounts, payable and accrued	\$ 4,136	\$ 8,711
NOTE PAYABLE		
6% note maturing October 31, 1968	—	42,000
12% note maturing Nov. 1, 1973	70,000	—
	<u>70,000</u>	<u>42,000</u>
MINORITY INTEREST IN SUBSIDIARY COMPANIES	<u>4,000</u>	<u>4,000</u>
SHAREHOLDERS' EQUITY		
CAPITAL STOCK		
<i>Authorized</i>		
10,000,000 common shares of 50c each par value		
<i>Issued</i>		
4,400,000 shares for cash	2,200,000	2,200,000
Discount and commissions	638,801	638,801
	<u>1,561,199</u>	<u>1,561,199</u>
SURPLUS (Note)	<u>348,062</u>	<u>—</u>
	<u>1,909,261</u>	<u>1,561,199</u>
	<u>\$ 1,987,397</u>	<u>\$ 1,615,910</u>

Note to Consolidated Financial Statements as at March 31, 1968: JUDGMENT RECEIVABLE

The company has been awarded \$348,062 in damages by the Supreme Court of British Columbia in an action against Sunshine Exploration Ltd. and Sunshine Mining Company for non-performance of work called for in an agreement dated January, 1965. At March 31 Sunshine had paid \$34,011 of the award and had appealed the remainder of \$314,051 to the Court of Appeal. In June 1968 the Court dismissed Sunshine's appeal and allowed a cross appeal of \$64,976 in favour of Dolly Varden Mines Ltd.

Sunshine has indicated that it will appeal these awards which totalled \$404,274 on June 21, including interest and taxed costs, in the Supreme Court of Canada, Ottawa.

AUDITORS' REPORT

To The Shareholders,

Dolly Varden Mines Ltd. (Non-Personal Liability)

We have examined the consolidated balance sheet of Dolly Varden Mines Ltd. (Non-Personal Liability) and its subsidiaries as at March 31, 1968 and the consolidated statements of deferred development and administrative expenditure and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at March 31, 1968 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

July 18, 1968.

Vancouver, Canada.

Riddell Stead Graham & Helgeson



This is Dolly Varden

dolly varden mines ltd. (Non-Personal Liability)
AND SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENT OF DEFERRED DEVELOPMENT
AND ADMINISTRATIVE EXPENDITURE**

for the year ended March 31, 1968

DEVELOPMENT

	1968	1967
Assessment fees and taxes	\$ 1,625	\$ 7,261
Bridge and road construction	—	50,054
Camp expense	750	33,214
Copper belt - general expenses	—	779
Drifting and raising	—	25,321
Employee benefits	—	1,939
Engineering and supervision	3,042	17,602
Insurance	1,110	4,660
Machinery maintenance	—	21,444
Transportation	100	5,960
	<u>6,627</u>	<u>168,234</u>

ADMINISTRATIVE

Advertising and public relations	5,745	3,133
Interest and bank charges	5,098	6,697
Legal and audit	30,035	22,581
Office	3,443	5,623
Salaries	9,600	6,050
Transfer and listing fees	2,350	1,532
	<u>56,271</u>	<u>45,616</u>

RECOVERY OF EXPENDITURE

62,898	213,850
<u>13,813</u>	<u>23,720</u>

**DEFERRED DEVELOPMENT AND ADMINISTRATIVE
EXPENDITURE AT BEGINNING OF YEAR**

49,085	190,130
<u>981,497</u>	<u>791,367</u>

**DEFERRED DEVELOPMENT AND ADMINISTRATIVE
EXPENDITURE AT END OF YEAR**

<u>\$ 1,030,582</u>	<u>\$ 981,497</u>
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**CONSOLIDATED STATEMENT OF SOURCE AND
APPLICATION OF FUNDS**

for the year ended March 31, 1968

FUNDS PROVIDED BY

	1968	1967
Judgment against Sunshine Mining Company (Note)	\$ 348,062	\$ —
Proceeds of note payable, net	28,000	42,000
Proceeds on issue of capital stock	—	190,000
Proceeds on disposal of fixed assets	9,256	—
	<u>385,318</u>	<u>232,000</u>

FUNDS APPLIED

Development and administrative expenditure	49,085	190,130
Acquisition of fixed assets	303	6,733
	<u>49,388</u>	<u>196,863</u>

INCREASE IN WORKING CAPITAL

Working capital (deficiency) at beginning of year	335,930	35,137
	<u>9</u>	<u>(35,128)</u>

WORKING CAPITAL AT END OF YEAR

<u>\$ 335,939</u>	<u>\$ 9</u>
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